

FISCAL YEAR 2001 BUDGET REQUEST HEARING

OFFICE OF THE CHIEF FINANCIAL OFFICER

**FINANCE AND TREASURY
TAX AND REVENUE
FINNCE RESOURCE MANAGEMENT
FINANCIAL OPERATIONS AND SYSTEMS
FINANCIAL INFORMATION SYSTEMS**

**VALERIE HOLT
CHIEF FINANCIAL OFFICER**

**Before
The Committee on Finance and Revenue
Jack Evans, Chairman
Council of the District of Columbia**

**MARCH 20, 2000
Council Chambers**

GOOD MORNING CHAIRMAN EVANS AND OTHER MEMBERS OF THE COMMITTEE ON FINANCE AND REVENUE. I AM VALERIE HOLT, CHIEF FINANCIAL OFFICER (CFO), AND I AM HERE TODAY TO DISCUSS THE PROPOSED FY 2001 BUDGET FOR THE OFFICE OF THE CHIEF FINANCIAL OFFICER (OCFO).

JOINING ME TODAY ARE: MR. HENRY DEBNAM, CHIEF INFORMATION OFFICER FOR THE OCFO'S OFFICE OF FINANCIAL INFORMATION SYSTEMS; DR. WILLIAM HALL, DEPUTY CFO FOR THE OFFICE OF FINANCE AND TREASURY; MR. TONY POMPA, DEPUTY CFO FOR THE OFFICE OF FINANCIAL OPERATIONS AND SYSTEMS; AND DR. NATWAR GANDHI, DEPUTY CFO FOR THE OFFICE OF TAX AND REVENUE.

I WILL GIVE YOU A BRIEF OVERVIEW OF OUR GOALS FOR FY 2001 AND OUR PROPOSED FY 2001 BUDGET. THE DEPUTIES WILL THEN FURTHER DISCUSS THEIR INDIVIDUAL AGENCIES AND THE IMPACT OF THE PROPOSED BUDGET ON THEIR OPERATIONS.

THE PROPOSED FY 2001 BUDGET FOR THE OCFO IS \$80,747,000 AND 1,078 FTES. THIS PROPOSED BUDGET IS \$824,021 LESS THAN THE APPROVED BUDGET FOR THE CURRENT FISCAL YEAR. \$62,853,000 IS FROM LOCAL FUNDS SUPPORTING 935 POSITIONS.

OUR AGENCY GOALS FOR THE YEAR ARE TO:

- **COMPLETE THE IMPLEMENTATION OF CAPPs IN ALL DISTRICT AGENCIES. OVER HALF OF THE DISTRICT GOVERNMENT HAS ALREADY BEEN CONVERTED TO CAPPs. THE FULL CONVERSION WILL BE COMPLETED IN FY 2001.**
- **IMPLEMENT THE RE-ENGINEERED CLOSING AND AUDIT PROCESS. MR. POMPA AND HIS STAFF ARE CURRENTLY DEVELOPING A PLAN TO IMPROVE THE CLOSING AND CAFR PROCESS UNDER THE NEW SOAR SYSTEM. WE ARE WORKING HARD TO CORRECT MANY OF THE ISSUES AND PROBLEMS THAT OCCURRED THIS YEAR WITH THE NEW SOAR SYSTEM AND ARE DEVELOPING A CLOSING AND AUDIT PROCESS THAT IS BETTER DESIGNED FOR IT.**
- **PRODUCE FY 2000 CAFR ON TIME AND WITH A CLEAN OPINION.**
- **PRODUCE MONTHLY “FLASH” REPORTS FEATURING KEY FINANCIAL INDICATORS OF THE DISTRICT. PROVIDING THIS INFORMATION WILL ASSIST DECISION-MAKERS IN MAKING IMPORTANT DECISIONS BASED ON RELIABLE FINANCIAL INFORMATION.**
- **PRODUCE ACCURATE AND TIMELY QUARTERLY FINANCIAL STATUS REPORTS. THIS INFORMATION IS ALSO NEEDED ON A ROUTINE TIMELY BASIS FOR DECISION-MAKERS THROUGHOUT THE GOVERNMENT.**

- **IMPLEMENT IMPROVEMENTS THAT RESULT IN FEWER COMMENTS IN THE FY 2000 MANAGEMENT LETTER. AS YOU KNOW THE MANAGEMENT LETTER POINTS OUT AREAS OF INTERNAL CONTROL WEAKNESSES THAT THE CITY'S AUDITORS HAVE IDENTIFIED. WE WILL WORK NEXT YEAR TO DRAMATICALLY REDUCE THE NUMBER OF THESE COMMENTS.**
- **ESTABLISH AGENCY CFOS AS "BUSINESS PARTNERS" WITH THEIR AGENCY DIRECTORS. WE ARE WORKING TO ESTABLISH THE CFOS AS "BUSINESS PARTNERS" WITH DIRECTORS, INCLUDING THE JOINT PREPARATION AND EVALUATION OF PERFORMANCE CRITERIA FOR THE CFOS.**

WHILE THE PROPOSED FY 2001 BUDGET FOR THE OCFO IS AN AMBITIOUS ONE, IT WILL HAVE A NEGATIVE IMPACT ON AGENCY PERSONNEL, PARTICULARLY IN THE TAX COMPLIANCE AREA AND THE SUCCESSFUL COMPLETION OF THE SOAR AND CAPPS PROGRAMS. AS PREVIOUSLY STATED, THE PROPOSED FY 2001 BUDGET FOR THE OCFO IS \$80,747,000 AND 1,078 FTES. WHILE THIS PROPOSED BUDGET IS \$824,021 LESS THAN THE APPROVED BUDGET FOR THE CURRENT FISCAL YEAR THERE WAS NOT A CORRESPONDING REDUCTION IN THE NUMBER OF AUTHORIZED POSITIONS FOR FY 2001. THAT FIGURE REMAINS AT 1,078.

ALSO, DURING THE PRESENT FISCAL YEAR THE OFFICE OF TAX AND REVENUE (OTR) RECEIVED \$2.5 MILLION IN FUNDING PURSUANT TO THE “2.1 REVENUE PROVISION” OF THE DISTRICT’S APPROPRIATION ACT. THESE FUNDS SUPPORTED 38 POSITIONS AND RELATED NPS COSTS IN THE COMPLIANCE OPERATIONS AREA. THEY WERE EXPECTED TO GENERATE OVER \$20 MILLION IN ADDITIONAL REVENUE IN FY 2001. IF THESE POSITIONS ARE NOT FUNDED, REVENUE ESTIMATES FOR FY 2001 MAY HAVE TO BE REDUCED. DR. GANDHI WILL FURTHER DISCUSS THIS IMPACT IN HIS TESTIMONY.

THE DISTRICT’S INVESTMENT IN ITS TWO NEW MAJOR FINANCIAL SYSTEMS, THE SOAR FINANCIAL SYSTEM AND THE CAPPS PERSONNEL AND PAYROLL SYSTEM, IS NOT COVERED IN THIS PROPOSED OPERATING BUDGET. FOR THE PAST COUPLE OF YEARS, FUNDING FOR THESE TWO NEW MAJOR SYSTEMS HAS BEEN FUNDED FROM THE CITY’S CAPITAL BUDGET FOR THEIR DEVELOPMENT AND IMPLEMENTATION. HOWEVER, IN FY 2001, \$1.8 MILLION IS NEEDED TO FUND THEIR OPERATION FROM THE CITY’S OPERATING BUDGET. HOWEVER, THEY WERE NOT FUNDED IN THIS BUDGET. DEPUTY CFO HENRY DEBMAN WILL FURTHER DISCUSS THIS ISSUE IN HIS TESTIMONY.

I AM PLEASED TO NOTE THAT THE BASIC DRAFT CAFR DOCUMENT IS DONE. OCFO STAFF IS WORKING DILIGENTLY WITH THE AUDITORS TO COMPLETE THE RELATED FIELDWORK AND FINALIZE CERTAIN FOOTNOTES. THEY HAVE AND CONTINUE TO WORK MANY HOURS TO COMPLETE THIS DOCUMENT. ADDITIONALLY, BUDGET OFFICE STAFF WERE ALSO WORKING MANY LONG, HARD HOURS TO PUT TOGETHER THE PROPOSED FY 2001 BUDGET. WE SHOULD ALL BE EXTREMELY PROUD OF THESE TALENTED, VERY HARD WORKING DEDICATED EMPLOYEES.

THIS CONCLUDES MY TESTIMONY. I AM NOW AVAILABLE TO ANSWER ANY QUESTIONS THAT YOU HAVE.